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February 28, 2018

U.S. Postal Regulatory Commission
901 New York Avenue NW, Suite 200
Washington, DC 20268-0001

POSTAL REGULATORY
COMMISSION
OFFICE OF THE SECRETARY

RE: 10-Year Rate System Review
Docket No. RM2017-3
Order No. 4258

Dear Commissioners,

This is not another form letter!

The commission has received a number of form letters (which make many valid points) that have been memorized, by heart, at this point, but as a leading mailer in the nonprofit industry, I would like to share with you the disastrous consequences of your proposed actions.

Father Flanagan's Boys' Home (Boys Town) mails 30 million pieces of mail per year, 35% of which is at the flat rate, which generates 2.5 million "First Class" responses per year. If this proposed rate increase goes into effect, what appears to be a solution to USPS revenue contraction will, in reality, only be the beginning of a larger USPS revenue contraction.

Let me explain...

The reaction from the nonprofit industry would be to dramatically cutback mailings. The reduction in outgoing mail will amount to a greater loss in revenue to the USPS than their proposed increases will generate.

Direct mail fundraising is a volume based business in order to generate net revenue for charities. Reduction in non-profit mail volume will be 50% or more to make up for the increase in postage. In short, the postage increase will make the lower dollar segments of our donor files (less than a \$20 donation) unprofitable. So from a business standpoint, those unprofitable segments will no longer be mailed, reducing overall mail quantity dramatically (up 50% of our donor files fall into those segments).

At first glance, the USPS would seem to break even in this scenario but they will, in fact, lose even more revenue and this is why. Most non-profit files will shrink to the point where their economies of scales are gone and they will need to reduce their mailings further and many will be forced to completely leave the business.

The commission needs to consider the return "First Class" mail that is generated from these non-profit mailings. If the outgoing mail is reduced by 50% or more, the "First Class" return mail will be reduced by 75% or more. The reason for the greater reduction in "First Class" return mail is due to the response rates generated by those lower dollar segments that are no longer profitable because of the postal increase on outgoing mail. For instance, a \$5 or \$10 segment of donors

234 Monsky Dr
Boys Town, Nebraska 68010
BoysTown.org

Saving Children, Healing Families®



will respond to a mailing at twice the rate of a \$20 to \$25 segment, generating twice the amount of "First Class" return mail volume.

In essence by raising the proposed postal rates, the USPS will also dramatically reduce their revenue stream from the "First Class" returns generated by these mailings.

If the commission thinks the current proposal is a solution to the USPS revenue problems... it will only accelerate the USPS revenue crisis.

Thanks you for your time and consideration of my appeal. If the commission has any questions concerning my explanation or would like to explore further with data and results, I would be more than happy to accommodate.

Regards,

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